Civic Community in Small Town USA:
How Civic Welfare is Influenced by Local Capitalism and Civic Engagement

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In describing social conditions in the United States shortly after the Revolutionary War, Alexis de Tocqueville declared: "Municipal institutions constitute the strength of free nations" (1945:61). In the small towns across America, he found that the foundation of civil society rested in the constellation of small shop-holders, public forums and the propensity of the citizenry to interact. It was in the American system of townships that the institutional foundation for public good was anchored. Tocqueville also warned that such civic townships were easily destroyed by " . . . the constant action of the laws and the national habits, peculiar circumstances, and above all, time . . ." (1945:61).

Today, in an era when advanced telecommunications, mass market retailers, and global commodity chains are creating a worldwide system of production and consumption, it may seem that the institutional basis for civic community in small town America is rapidly dissolving. Yet, there is a more contemporary line of social science research dating back to C. Wright Mills (1946) and Walter Goldschmidt (1946) and amplified by Lyson and Tolbert (1996), Tolbert, et. al (1998), and Irwin, et al. (1999) that suggests that Tocqueville's constellation of small, locally oriented institutions and associated civic engagement does indeed build the local "common weal."

If Tocqueville's configuration of local institutions, involved citizenry, and community spirit survives anywhere, it is most likely to be found in the American small town. "The township institutions . . . form a complete and regular whole; they are old; they have the support of the

laws and the still stronger support of the manners of the community, over which they exert a prodigious influence. For all these reasons they deserve our special attention" (Tocqueville 1945:61). Following Tocqueville's injunction, we focus specifically on small-town communities in this study.

In small town USA, we expect that civic engagement is enmeshed in locally oriented businesses and a constellation of local associations and organizations. This social and economic institutional matrix not only fosters a sense of public integration and cohesion, but it also encourages enhancement of public goods and civic welfare. One aim of this paper is to gain a better understanding of factors that promote resiliency and sustainability–factors that foster internal cohesion and factors that buffer small communities from external forces.

A second objective is to move beyond previous research that has used larger spatial units such as states, counties, or aggregates of counties and focus instead on American small towns. Broader spatial units can encompass a variety of distinct communities and uninhabited territory. Aggregating social and economic patterns across these areas may mask essential differences in local community institutional structures. Certainly community boundaries are not coterminous with political limits of cities and towns. However, towns and cities are the institutional centers for these broader communities, and it is within city boundaries that we should find heart of a civic nexus. We focus on two specific aspects of a municipality's civic institutional structure, *local capitalism* and *civic engagement*, and examine the degree to which these factors enhance small town *civic welfare*.

Civic Welfare, Local Capitalism and Civic Engagement

Contemporary variants of the civic community perspective can be found in Putnam's (1993) civic engagement thesis, in the work of Etzioni (1996) and others in the communitarian tradition, and in the flexible production theory of institutionalists Piore and Sabel (1984). Unlike earlier developmentalist perspectives which tended to view economic life and social life as relatively distinct spheres, the newly emerging civic community researches focus on the interrelationships between economic and noneconomic institutions. The civic community perspective maintains that locally oriented capitalism and civic institutions nurture trust and cooperation among citizens and lead to a problem solving approach to local issues. Workers and owners/managers alike become embedded in localities and make decisions that benefit the community as well as themselves. Some of the beneficial local outcomes that arise from community problem solving are indicators of civic welfare. Simply put, a climate in which civic community thrives is thought to enhance the well-being of the local populace.

Civic Community & Local Capitalism

Small, locally managed production firms are likely to contribute to the civic culture because the owners and managers are socially and financially invested in the community (Piore and Sabel, 1984). In part, this local orientation is due to aspects of organizational form associated with size. Small firms usually have less formalized bureaucratic structures and the high degree of specialization and compartmentalization associated with their larger Fordist counterparts (Edwards, 1978). A small number of employees precludes a complex division of labor and

allows--even requires--informality and mixing of roles. Owners and managers mix and work freely with production workers, creating bridging networks within the workplaces. Without rationalized rules for hiring, new employees often are found through kinship and friendship ties – practices that advantage local residents and maintain employment opportunities for the community.

Further, owners and managers of small firms are frequently active participants in the civic affairs of the community. The various service and business clubs, organizations, and associations are places where the small businessman establishes and maintains networks of local contacts and supporters (Mills and Ulmer, 1946). Because small business people are citizens of the community, they develop strong local ties to place. Their strong and enduring community ties mean that they may be less likely to pull out of the community during an economic downturn, and more likely to support and lead local nonprofit institutions.

A local orientation is particularly instrumental for the self-employed. For many in this group, job and firm are coterminous, and the lines between ownership and employment are blurred. Often the choice to shift from wage work to self-employment is instigated by firm or market pressures to leave the local community. Self-employment becomes a mechanism for maintaining and strengthening ties to place. Thus self-employment represents a strong form of local orientation.

However, local orientation is not the only reason that small producers are likely to remain in a community. Small business owners and the self-employed rely upon one another for support and information. These networks of support allow small producers to capture economies of scale

that enable them to compete effectively with larger firms (Piore and Sabel 1984). Networks of small businessmen, because they are 'place-based,' are not readily transferable to other communities, leading small producers to remain tied to locality. Because these networks are themselves embedded in local community institutions they serve to maintain and strengthen shared values and local community identity,

In a civic community, small, local enterprises are key stakeholders and may well be agents for maintaining conditions conducive to social cohesion and interaction. Thus, unlike larger firms, whose orientations are fixed on the national or international marketplace, networks of small enterprises are linked together by community conditions and are as much embedded in the locality as residents. This embeddedness helps ensure that small producers are less likely to pull out of the local community during economic downturns and more likely to provide support, membership and direction for local institutions.

The industrial sector given the most primacy in economic development is manufacturing. It is well established that a manufacturing presence in the local economy is associated with higher wages and lower unemployment (Horan and Tolbert, 1984; Falk and Lyson, 198?). Most contemporary discourse on smaller manufacturing enterprises has centered on small-scale firms and their role in the renaissance of depressed regions and communities (Piore and Sabel, 1984; Sabel, 1989; Harrison, 1992). While size may well be a corollary to local capitalism, it is only one of several dimensions that define a locally embedded businesses. By locally oriented, we mean a production enterprise that is focused on a local market and customer base. A local business orientation implies that both production and consumption will be focused on the

particular socioeconomic and cultural characteristics of that locale. While this may not be the case for all manufacturing establishments, it is likely that certain products are manufactured largely for local or regional consumption (e.g., food, apparel, furniture, printing, publishing).

A civic community perspective perspective suggests that the geographic scope of a firm has important implications for local orientation. A multi-establishment firm whose branch plants are scattered across the nation is less tied to the conditions and fortunes of any one community. Machinery within plants, and the plants themselves, are easily moved across communities in the face of declining local economies. Internal labor markets for managers and workers are national and international in scope, requiring residential movement across communities for promotion. As a result, the primary orientations of managers and owners tends to be on the corporation and not the community. On the other hand, single establishment firms, as well as multi-establishment firms with all branch plants situated in the local area, are clearly more rooted to place. The ability to move capital out of the community is moderated (although not curtailed) and internal labor markets are coterminous with geographic labor markets.

While the size and geographic scope of a firm tend to covary, they constitute conceptually independent dimensions. Similarly, the longevity of a firm in an area indicates a dimension of local orientation that is conceptually distinct from both size and scope. Attachment and integration into community structure require time. This is no less true for firms than for individuals.

The size, scope, and longevity are three aspects of local orientation in manufacturing that may create an economic foundation that enhances both the metropolitan and nonmetropolitan

community. Additionally family owned and controlled farms represent this same local orientation in nonmetropolitan economies and communities. This form of farm ownership is locally oriented in much the same manner as small businesses. Like firms with exclusively local establishments, most family farms are culturally and economically immersed in the community. Families whose economic interests are tied to the farm are much like other local business owners for whom community and economy are intertwined.

A civic community approach suggests that prosperous communities will have relatively more locally-oriented establishments that persist over time. These locally-oriented establishments reinforce civic community by building horizontal relationships among residents linked to those establishments across various sectors of the local economy. In the analysis that follows, we introduce measures of local orientation that reflect a healthy climate of local capitalism.

Civic Community & Civic Engagement

In both sociology and political science there is a long-standing interest in understanding the linkages between voluntary associations and civic engagement. Putnam's 1993 work suggests that there could be a relationship between local capitalism, levels of local civic engagement, and civic welfare (beneficial local outcomes). More specifically, Putnam suggests that there are cross-sectional differences in community institutional structures that create varying levels of civic engagement across locales and differences in local levels of civic welfare. The proliferation of associations is a central dimension of a civic institutional structure. Simply, where there are

more organizations that provide both encouragement for association and an orientation toward the public good, civic welfare should increase. Some organizations form specifically to enhance some aspect of the public good (for instance charitable organizations). Others, like the VFW or YMCA, provide a space for community interaction that bonds members to community. Both aspects increase community cohesion.

Churches and other religious organizations provide a basis of association and mobilization for community problem solving. Irwin, Tolbert, and Lyson (1999) have shown that church adherence acts to embed people in communities and increase the proportion of people staying in a community. Similarly Greeley (1997) finds that religious structures are an important source of volunteerism in church-related and secular activities.

Like churches and associations, local hangouts and gathering places can provide an important institutional mechanism that links individuals together in a community. Oldenburg (1991) notes that "third places"--e.g., pubs, drugstores, coffee shops, barber shops, grocery stores--provide an institutional basis for informal public life. These retail and service establishments may create horizontal linkages in a community that increase civic engagement. Additionally, these third places are nexus points in networks of acquaintances throughout the community. Such "weak-tie" networks are critical in both job search patterns of workers, and part of employers informal hiring practices (Granovetter). The proliferation of such public hangouts, then, increases the density of network connections throughout the community that tie local business activity to local populations. Where such networks prevail, locals more easily find employment, and local businesses are more likely to hire informally within the community. This

concept of third places suggests how business establishments can serve as gathering places and venues for both civic interaction and sustenance of informal job search networks. Third places, then, constitute another key aspect of civic community, tying together civic engagement and local capitalism components.

Explaining Local Civic Welfare: Dimensions of a Liveable Small Town

Our previous analyses, conducted at the county level, indicate that small manufacturing, retail shops, service establishments, and family farms are associated with higher county population stability (non-migration), higher income levels, lower poverty levels, less income inequality, and lower unemployment (Irwin, Tolbert and Lyson 1999; Tolbert, Lyson and Irwin 1998). Our contention is that where these two central dimensions of civic community (local capitalism and civically engaging institutions) coalesce, civic welfare outcomes should be higher. This then gives us our basic model for analyzing civic community and civic welfare in terms of two key components (see Figure 1). Though the overarching conceptual model remains the same, this paper departs from the earlier work in two important ways: 1) a focus on civic community in small towns; and 2) our use of detailed economic census microdata that are not in the public domain.

<Figure 1 about here>

Data Sources.

The data used for the measures of local capitalism are from specific censuses of the 1992 economic census program. (These are the census of agriculture, manufactures, wholesale, retail, and selected services.) Some of our measures use publicly available data (e.g., farms, nonemployers). Our measures of local orientation (geographic scope, longevity, and size) are drawn from the individual establishment responses to censuses of manufactures, wholesale, retail, and selected services. These latter measures were constructed as part of our research project at the Bureau of the Census Center for Economic Studies As authorized research associates of the Center, we have access to these establishment data and to the Census Bureau's business register (Standard Statistical Establishment List).

Identifying Small Towns for Research Purposes.

The small towns for this paper are incorporated places. An incorporated place satisfies two criteria for inclusion in this analysis. One, the population of these units must be between 2,500 and 20,000 for the both the 1990 decennial census of population and housing and the 1992 sub-county estimates of the Bureau of the Census. Two, a qualifying incorporated place must be recognized as such in the 1990 decennial census geography, the 1992 sub-county estimates geography, and the 1992 economic census geography.

In terms of population size, the above operationalization provides us with a relatively homogenous set of recognized political units that equate reasonably well to small towns. Still, there are certain unavoidable biases. Most incorporated places have less than 2,500 in population and hence, are excluded from this analysis. This exclusion is the result of the compromise imposed on us by the use of information from both the 1990 decennial census and the 1992

economic census. (In the latter, incorporated places are recognized only if they have a minimum population of 2,500.) Minor civil divisions (MCD's), except where these are coterminous with an incorporated place, are excluded from this analysis, even though in many instances they constitute small towns or boroughs.[1] We also exclude certain unincorporated territory recognized by the 1990 decennial census census designated places (CDP).[2]

Using these selection criteria, we identify 4,553 small towns in the 48 contiguous U.S. states. We further distinguish between those small towns located in nonmetro counties (n=1,886) from those embedded in metro counties (n=2,667).[3] Tocqueville's experience with small town America predated the rise of true metropolitan areas. The townships were centers of rural life that was unique from the large urban regions in which many contemporary small towns are embedded. However, Tocqueville explicitly asserts that small-town civic institutions exert an influence on the public good quite independent of the counties, states and even the national context in which they are found (1945: 69). This suggests that civic institutions should operate and be identifiable in both metropolitan and non-metropolitan embedded small towns. We compare metro and nonmetro results below to assess the extent of similarities in civic community across small towns.

Modeling Strategy.

To evaluate the role of civic community in producing beneficial local outcomes, we estimate ordinary least squares (OLS) regression models with incorporated small towns as units of analysis. Previous county-level analyses have shown civic community variables to be associated with certain local socioeconomic outcomes such as higher median income, lower poverty rates,

lower unemployment rates, and more nonmigration. We employ parallel outcomes here that are measured at the incorporated place level for each of our small towns. The regressors in the models are a set of control items and a set of civic community variables (see Figure 2). Prior county-level work in the civic community tradition has relied primarily on spatial-effects models, treating the counties as spatial units that encompass all of the territory being studied. In the present case, however, the incorporated small towns are spatial units nested in larger geographies (e.g., metropolitan areas, counties, states). The small towns do not exhaust the territory between them and, as such, our data do not represent all space in the contiguous U.S. states. Moreover, the territory omitted from our analysis is a heterogenous collection of communities (incorporated places) under 2500 population, unincorporated places, countryside outside towns, larger towns with populations over 20000, and very large urban areas. Since our small-town model by definition does not account for this territory and the omitted spaces vary widely in composition, we have opted not to estimate spatial-effects models. Instead, we simply treat the small towns as a fairly homogeneous group of spatial units in OLS models and employ control items that measure some aspects of the spatial context in which the small towns exist. Models are estimated separately for small towns in nonmetro counties and small towns in metro counties.

<Figure 2 about here>

Variable Specification: Small-Town Civic Welfare.

Median Income. Following previous county-level work in the civic community tradition, we employ several place-level indicators of beneficial local outcomes which are all derived from the 1990 decennial population census (U.S. Bureau of the Census, 1992b, 1993). Income was a key

variable in previous work at the county level where median income was positively associated with simpler measures of local capitalism and civic engagement. Here we again examine 1989 median family income at the place level. We expect it to be *positively* associated with the civil society indicators. Additionally, we expect that our refined measures of local capitalism based on confidential Census microdata on the local orientation of firms, will be positively associate with median income.

Poverty Rate. Likewise we expect these refined measures of local capitalism will be negatively related to our second indicator of socioeconomic well-being: the 1990 Census poverty rate in the incorporated small town. Our previous county level examinations showed the poverty rate to be *negatively* associated with the civil society variables– a result we expect to find at the place level as well.

Unemployment. In addition to these income measures, we examine local unemployment levels. While it would be preferable to average unemployment over a several-year period, unemployment information at the place level is only available at one relevant point in time: the 1990 Census. Since unemployment tends to fluctuate in a cyclical manner, measurement at one time period may lead to some instability in this indicator. Nevertheless, our expectation is that the local capitalism and civic engagement items will be *negatively* related to unemployment.

Nonmigration. Finally, we include a measure of population stability as a dependent variable. Our previous research has shown that civic indicators are positively associated with the retention of individuals over time at the county level. Here, we examine place nonmovers (those who did

not change housing units between 1985 and 1990 or who relocated within the same incorporated place).

Variable Specification: Local Capitalism.

Nonemployers. The local capitalism items include the number of nonemployers taken from 1992 Economic Census data (represented as its natural log). As the terminology suggests, nonemployers are business operators who report no employees, but are self-employed, and have sales and revenues from businesses. The nonemployer business activity may be the only source of the person's income or a supplement to wage and salaried work. Either way, we view this form of micro-business activity as one important aspect of a thriving local capitalism. This behavior is unlikely to exist in a vacuum. Instead is very likely to be underpinned by supportive local institutions and networks of cooperating micro businesses. We expect some incorporated small towns to be better at cultivating nonemployers, and this aspect of local capitalism should vary from place to place. Where the (log) of nonemployers is relatively high, we expect beneficial local socioeconomic outcomes.

Locally-Oriented Manufacturing. Empirical analysts in the civic community tradition have focused on small manufacturing establishments, contending that small establishments are more likely to be enmeshed in local or regional networks of cooperative firms (see, e.g., Lyson and Tolbert, 1996). This generates trust in a business climate and encourages firms to become more embedded in the local economy. Following earlier work, we classify manufacturing establishments as small if they have 19 or fewer employees. Thus, one measure of locally-oriented manufacturing is expressed as the percent of all manufacturing establishments that are

small. As developed earlier, establishment size is just one aspect of industrial organization that might facilitate local as opposed to a more global capitalism. Small establishment size has been preferred as a proxy measure of manufacturing's role in generating local capitalism because it is the one attribute generally available in published data sources such as *County Business Patterns*.[4] Yet, it is conceivable that a small manufacturing concern could have little or no local orientation and behave in ways that do not foster the development of local capitalism.

A key advantage of the economic census microdata is that they permit us to explore both geographic scope and longevity of firms – facets of local orientation that are not reported in published sources. For this analysis, we include a local/nonlocal classification of establishments by single- or multi-unit status. We treat single establishments as local. Additionally, multi-unit establishments are considered local if all components of the parent enterprise are located in the same county. Multi-unit establishments that are part of far-flung enterprises are deemed nonlocal. Thus, in addition to size, we capture the geographic scope of local orientation as the percent of all manufacturing establishments that are local (either single-unit or multi-unit, all in same county).

A third facet of local orientation is longevity in the local economy. We infer embeddedness by employing a proxy for age of the manufacturing establishment. This information is derived by linking economic census records with administrative data found in a national business register known as the Standard Statistial Establishment List (SSEL) (U.S Bureau of the Census, 1978). Among the data items in the SSEL is the first year in which a tax return was filed for an establishment in a particular location. We use this information to infer the

age of an establishment and employ a measure that is the percent of all manufacturing establishments that are 15 years or older.

A final manufacturing measure of local orientation combines all three dimensions. This is the percent of manufacturing establishments that qualify as locally oriented on all three measures; i.e., those that are small, single-unit or multi-local, and embedded for at least 15 years. Use of this three-way interaction term permits us to assess the extent to which each of these facets operates independently from the other aspects of local orientation.

Family Farms. Because of their presumed local orientation, family farms have the potential to contribute to civic community. The *Census of Agriculture*[5] distinguishes between family farms (proprietorships, partnerships, and family corporations) and corporate farms. Public versions of these data employ a county geography and, accordingly, we construct a family farm measure for incorporated places that indicates whether the small town is in a county with an above average per capita number of family farms.[6] Since most farms are likely not to be contained within the incorporated boundaries of our small towns, this binary measure indicates the extent to which agriculture in the local area surrounding the place is organized around family farms as opposed to corporate farming enterprises. Our civic community variables also reflect the concept of civic engagement, and we turn to these measures in the following section.

Variable Specification: Civic Engagement.

Third Places. From the *Census of Services* and the *Census of Retail Trade* confidential microdata, we identify those service and retail gathering places in small towns for the 1992

economic census year. We choose only those service/retail establishments where the good or service is consumed on the premises.[7]

Associations. From the *Census of Services* confidential microdata, we can identify service and retail gathering places in small towns for the 1992 economic census year. Examples of associations include business associations (e.g., chamber of commerce), fraternal organizations, labor unions, civic groups, and neighborhood associations.[8]

Civic Denominations. We follow the practice in the civic community literature of including information on the percent of religious adherents who identify with civically-engaged denominations (Tolbert, et al. 1998; Irwin, et al. 1999). This information is only available, however, for counties in the 1990 *Census of Churches*.[9] Using county-level information, we construct a binary item for small towns that is coded one if the county containing the incorporated small town has an above average percentage of civic denomination adherents.[10]

Variable Specification: Control Items.

Each of our models includes a set of control variables taken from 1990 census sources. Local human capital levels are introduced by way of a percent high school graduate variable. Three items describe the town's housing stock: percent owner-occupied units, percent vacant units, and percent housing units occupied for 10 or more years by same persons. A percent urban variable indicates what percent of the local (county) urban population is accounted for by the town. A high percentage suggests that the town accounts for most of the nearby urban population. A low percentage indicates that the town is part of a larger urban system. We also include a relative population measure which compares the town to all small towns in our dataset by forming a ratio

of the town's population to the average population of all small towns (7,414). Lastly, given our interest in the role of manufacturing in generating civic community, we control for the number (log) of manufacturing establishments in the township. Taken from the 1992 *Census of Manufactures,* this measure permits us to assess the contribution of the civic community manufacturing items over and above the presence of manufacturing in the local economy.

Results

Descriptive Results.

Table 1 compares means and standard deviations on the variables employed in our models for incorporated nonmetro and metro small towns. In terms of statistically significant differences among the outcome measures, metro small towns have higher log median income levels and lower poverty rages. The small towns clearly exhibit the well-known metro/nonmetro income differentials (McGranahan, 19xx). Nonmetro small towns have higher unemployment rates and nonmigration rates. These findings are also consistent with previous research. Among the control variables, high school education levels are higher in metro small towns as is percent owner-occupied housing and relative population. Nonmetro small towns exhibit significantly higher values on the age of housing stock, percent vacant, and percent housing occupied more than 10 years items. Not surprisingly, the means for the percent urban indicate that nonmetro small towns account for more of the urban population in their counties than do metro places. Lastly, the log of manufacturing establishments is higher in nonmetro small towns than in metro small towns.

Nonmetro and metro incorporated small towns are also compared in terms of civic community measures in Table 1. The means for log of nonemployers are not significantly different; nonmetro and metro small towns have roughly the same numbers of nonemployers. Results for the locally oriented manufacturing items are mixed. Metro small towns have higher percentages of local establishments and small manufacturing establishments. Nonmetro small towns have a higher percentage of manufacturing establishments that have been in the community for at least 15 years. Three important and statistically significant differences show nonmetro small towns with higher levels of civic engagement. Nonmetro small towns have more third places and more associtions. And, they tend to be in counties with higher proportions of civic denomination adherents than do metro small towns.

OLS estimates of 1990 log median family income and 1990 poverty rate are presented in Table 2. The first column of coefficients contains estimated parameters for 1886 nonmetro small towns. Among the control items, percent high school graduates, percent owner-occupied housing units, log total manufacturing establishments, and location in a nonmetro county adjacent to a metro county are associated with higher levels of log median income in small towns. Average age of housing stock, percent housing stock occupied 10 or more years, and percent urban population are negatively associated with log median income of small towns. Among the civic community items, log of nonemployers, percent older (15+ years) manufacturing establishments, location in a county with an above average percent of civic denomination adherents, and log of third places are positively associated with small-town median income levels. Percent local manufacturing establishments and percent small manufacturing establishments are negatively

associated with median income. In terms of the local capitalism manufacturing measures, it is the longevity of the establishments that matters in nonmetro small towns. Net of establishment age, the local orientation and size measures are actually negative.

The second column of coefficients in Table 2 contains estimated parameters for 2667 small towns in metro counties. Among the control items, percent high school graduates, percent owner-occupied housing units, and percent housing units occupied 10 years or more are associated with higher levels of log median income in metro small towns. Percent vacant housing units and percent urban population are negatively associated with median income of small towns. Among the civic community items, log of nonemployers, percent of manufacturing establishments that satisfy all three criteria (local, old, and small), location in a county with an above average percent of family farms, and log of third places are positively associated with small-town median income levels. Net of the three-way civic manufacturing measure, percent local manufacturing establishments and percent manufacturing establishments 15+ years old are negatively associated with median income. At least for metro small-town income levels, the impact of the combination of local orientation, small size, and longevity operates differently than do two of its components (locality and size). Contrary to expectations, log of associations is negatively associated with log median income in metro small towns.

The third column of Table 2 displays coefficients for an OLS model predicting nonmetro small-town poverty rates. Among the control variables, percent high school graduate, percent owner-occupied housing, log of total manufacturing establishments, and adjacency to a metro county are associated with lower small-town poverty levels. Percent vacant housing units,

percent housing units occupied 10 or more years, percent urban population, and relative population size are all positively associated with poverty rates. Among the civic community items, log of nonemployers, location in a county with above average percentages of civic denomination adherents and family farms, and log of third places are negatively associated with small-town poverty levels. Percent small manufacturing establishments is positively associated with nonmetro local poverty rates.

The fourth column of Table 2 displays coefficients for an OLS model predicting metro small-town poverty rates. Among the control variables, percent high school graduate, percent owner-occupied housing, and log of total manufacturing establishments are associated with lower metro small-town poverty levels. Percent vacant housing units, percent housing units occupied 10 or more years, and percent urban population are positively associated with metro small-town poverty rates. Among the civic community items, log of nonemployers, percent local manufacturing establishments, location in a county with an above average percent of civic denomination adherents, and log of third places are negatively associated with small-town poverty levels in metro counties. As was the case in the median income model, log of associations exhibits a coefficient contrary to our expectations in the metro poverty model.

OLS estimates of the 1985-1990 place nonmigration rate and the local 1990 unemployment rate are presented in Table 3. The first column of coefficients contains estimated nonmigration parameters for 1886 nonmetro small towns. Among the control items, percent high school graduates is negatively associated with nonmigration, indicative of the hypermobility of college educated persons. Among the other controls, percent owner-occupied housing units,

percent vacant units, percent occupied 10 or more years, log total manufacturing establishments, percent urban population, and relative population size are all positively associated with nonmigration. Location in a nonmetro county adjacent to a metro county are associated with lower levels of nonmigration in small towns. Among the civic community items, percent older (15+ years) manufacturing establishments, small manufacturing establishments, civic denominations, log of third places, and log of associations are positively associated with nonmetro small-town nonmigration levels. The nonemployers item is negatively associated with nonmigration.

The second column of coefficients in Table 3 contains estimated parameters for 2667 small towns in metro counties. Among the control items, percent high school graduates is negatively associated with nonmigration as we observed in the nonmetro case. Age of housing stock, percent owner-occupied housing units, percent vacant, and percent housing units occupied 10 years or more, percent urban population, and the three regional effects are associated with higher levels of population stability. Among the civic community items, log of nonemployers, location in a county with an above average percent of family farms, and log of associations are positively associated with small-town median income levels.

The third column of Table 3 displays coefficients for an OLS model predicting nonmetro small-town unemployment rates. Among the control variables, percent high school graduates, percent owner-occupied housing, log of total manufacturing establishments, and the three regional effects are all negatively associated with small-town unemployment levels. Age of housing stock, percent vacant housing units, percent housing units occupied 10 or more years,

and relative population size are all positively associated with unemployment rates. Among the civic community items, log of nonemployers and location in a county with above average percentages of civic denomination adherents and family farms are negatively associated with small-town unemployment levels.

The fourth column of Table 3 displays coefficients for an OLS model predicting metro small-town unemployment rates. Among the control variables, percent high school graduate, percent owner-occupied housing, log of total manufacturing establishments, and the three region effects are associated with lower metro small-town unemployment levels. Age of housing stock, percent vacant housing units, and relative population size are positively associated with metro small-town unemployment rates. Among the civic community items, log of nonemployers, location in a county with an above average percent of civic denomination adherents, and log of third places are negatively associated with small-town unemployment levels in metro counties. Contrary to our expectations in this model, the log of associations exhibits a positive association with metro unemployment.

Summary of Results.

In sum, the civic community items employed here vary in their performance in these models of civic welfare outcomes. Overall, the civic items do slightly better in the nonmetro small town models than in the metro town models. In the nonmetro median income model, four out of six significant civic community items have signs in the expected direction. This contrasts with four of seven for the metro version of that model. This pattern holds for the nonmetro poverty model

(four expected signs out of five significant items), as well as the nonmetro nonmigration and unemployment models (five of six and three of three, respectively). In terms of specific civic community variables, the nonemployer, civic denomination, and third places items perform as expected in six of the eight models. Nonemployers and third places are associated with enhanced civic welfare in metro and nonmetro small towns. Civic denominations performs as hypothesized in all nonmetro models and in two of the metro small town models. Net of the other measures of local capitalism and civic engagement, the measures of locally-oriented manufacturing perform less well in small towns that we would have thought. We surmise that this may partly be due to our use of a place-level, small-town geography which requires that a plant be physically located within the incorporated place boundaries. A manufacturing establishment just outside the city limits–or one a short drive away–would not be represented in our small-town dataset. Further research is clearly needed to establish the scope of locally-oriented manufacturing's influence on civic welfare. The associations item performs as anticipated only in the case of nonmigration. Associations may be another indicator of civic community that is not bounded by the incorporated limits of municipalities.

Conclusions

Tocqueville would hardly be surprised to observe that civic community measures perform somewhat better in small towns in nonmetro counties than in small towns in metro counties. The latter are subject to the influence of the surrounding urban environment which may diffuse the contribution of uniquely local aspects of civic community.

Our refined measures of local capitalism, using Census microdata, demonstrate that local orientation is a complex set of firm characteristics. The prevalence of nonemployers, of elements of firm size, of longevity and of geographic scope clearly capture part of what we think of as local capitalism. Further these dimension often do predict civic welfare in the manner suggested by civic engagement theory. Nevertheless, empirical support for these dimensions are mixed. Clearly each dimension does not work as systematically nor as powerfully across space and civic outcomes as we first predicted.

In part this may well indicate structural complexity of the local capitalism notion. It may well be that our measures need further refinement. For instance, the mixed performance of the manufacturing items suggests the need to reassess the boundaries circumscribed by local capitalism. While it may be overly restrictive to insist that a manufacturing establishment be located within the township, it may be reasonable to expect only those third place retail and service establishments within the town to have an impact on civic outcomes. More generally, the manufacturing findings here raise questions about the appropriate spatial boundaries for delimiting "multi-local" enterprises–i.e., firms with all constituent establishments located within a bounded area.

Our use here of county as the boundary for multi-local status precludes very interesting possibilities such as identification small, regional chains of business establishments. Because we have access to the establishment microdata which underlie our summary measures, we will further investigate these important boundary issues in subsequent research. However, it is also possible that the theoretical notions of local capitalism need further refinement. Clearly the

nature of firms, their ownership characteristics, their markets and their orientation are a complex web of interrelationships that tie firms to locality. One important area to explore in this regard is a further specification of the relationship between local capitalism and civic engagement.

Civic engagement items such as civic denominations, and third places, were among the most powerful predictors of civic welfare outcomes. This indicates that socio-cultural dimensions of places are relatively more important to civic welfare outcomes than our economic measures. However elements of self-employment, the relative health of churches and the proliferation of third places are all intertwined the local business structure. It is unlikely that localism in manufacturing and in other aspects of community life are not interrelated.

Largely because of a dearth of data, place-level analyses are rare in literature. Metropolitan areas, various other county group schema, counties and county equivalents are far more likely to be employed as spatial units. Yet, because small towns in many cases more closely approximate communities, it is important for us to demonstrate the plausibility of place-level analysis. In this instance, a place-level analysis is enabled by access to confidential microdata that can be aggregated to the place level. Data that are not available at the place level are entered at the county level. Though we are convinced of the utility of place-level analysis, we should also note two key drawbacks: absence of suitable spatial modeling techniques and variations among statistical agencies in place definitions.

Findings here (as well as those in related literatures) argue for development policies that focus on nuturing a small-business and/or merchant class. If smokestack chasing were not already out of vogue, the findings here indicate that little enhancement in civic welfare should be

expected from a large-firm development strategy. Indeed, micro enterprises–even those that have no employees–appear to be engines of broadly beneficial development in American small towns.

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Endnotes

1. This exclusion is due to MCDs being recognized in certain portions of the country (e.g., New England, certain "strong MCD" states in the Middle Atlantic and the Middle West) and not others.

2. The 1992 economic censuses recognize only a small number of CDPs defined in the 1990 decennial census, and those it does recognize exceed our maximum population criterion of 20,000.

3. A few places are located in more than one county, yielding parts of places associated with each county. In this analysis, we assign a place to a single county based on the place part with the largest population.

4.Size information may be suppressed–even in public data sources–to reduce the likelihood that individual establishments could be identified. Suppression for nondisclosure reasons is common in areas where there are only a few firms or a single, dominant firm.

5.U.S. Bureau of the Census, 1992a.

6. The average per capita number of family farms for counties in the contiguous U.S. states is 0.151.

7. SIC codes for third places: Retail and Service Establishments That Provide Spaces for Public Interaction and Where Products Are Consumed on Premises: 5812 (Eating Places), 5813 (Drinking Places), 7215 (Coin Op. Laundries), 7231 (Beauty Parlors), 7241 (Barber Shops), 7933 (Bowling Centers), 7991 (Fitness Centers), 7992 (Public Golf Courses), 7993 (Coin Operated Amusement), 7996 (Amusement Parks), 7997 (Sports/Recreation Clubs), 8231 (Libraries), 8412 (Museums and art galleries), and 8422 (Gardens).

8. The SIC codes employed for associations are: 8611 (business associations), 8631 (labor unions), 8641 (civic, social, and fraternal associations), 8651 (political organizations), and 8699 (membership organizations not elsewhere classified).

9. Association of Statisticians of American Religious Bodies (1992).

10. The average percent adherents to civic denominations across all counties (48 contiguous U.S. states) is 14.2 percent. An incorporated place is coded one on the civic denomination item if its county percentage of adherents exceeds 14.2 percent.

Figure 1: Conceptual Diagram

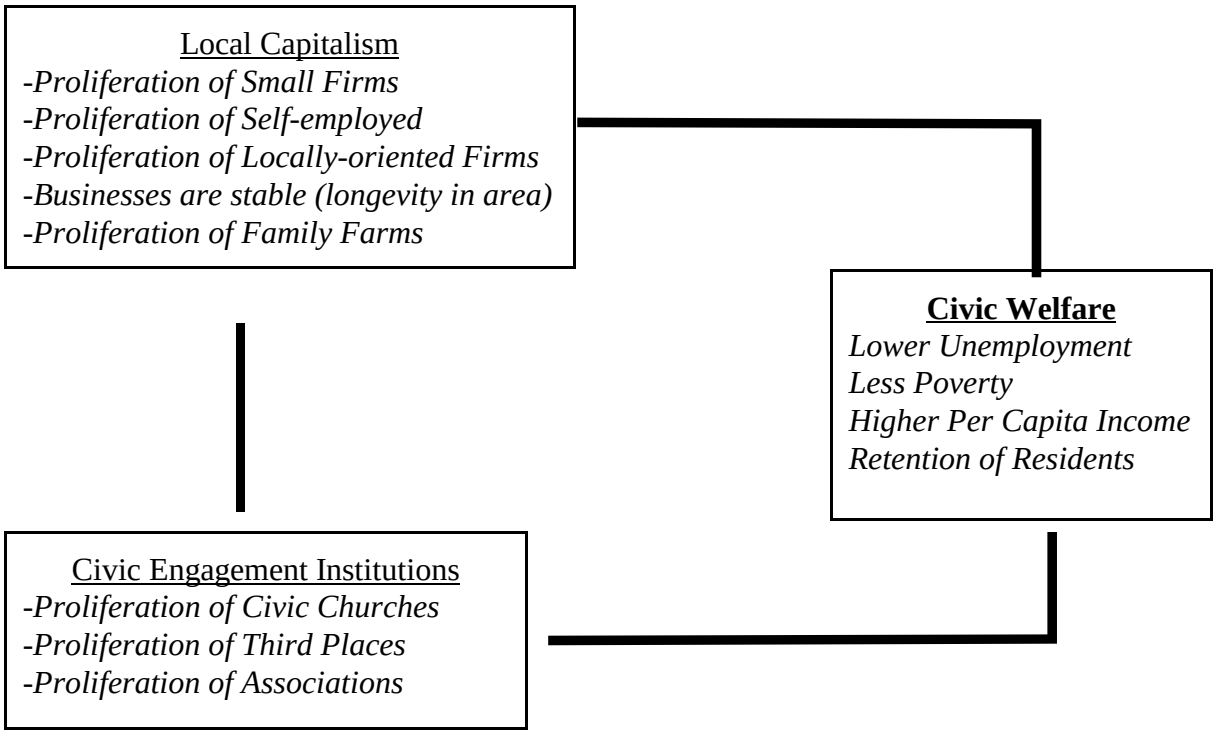
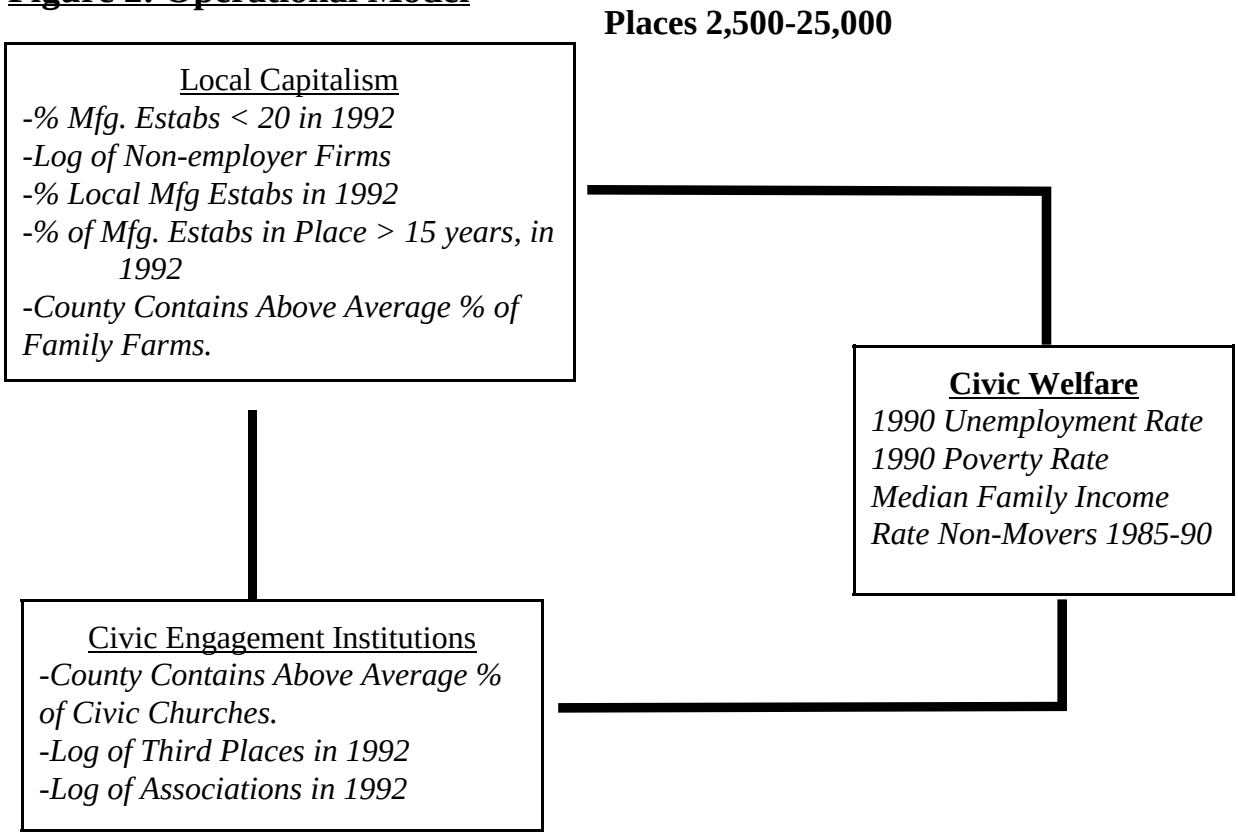


Figure 2: Operational Model



Control Items
-% of Pop > 25 with HS Ed, 1990
-Mean Age of Housing Stock, 1990
-% Residential Dwellings Owner Occupied
-% Residential Housing Stock Occupied more than 10 years in 1990
-Log of Total Mfg. Estabs, 1992
-% Share of County Urban Pop. 1990
-Relative Pop Size, 1990
-Region of County

Table 1. Means and Standard Deviations

Variables	Nonmetro (n=1886)	Metro (n=2667)	T-Ratio
Pct. High School Graduates	67.84	76.81	25.5
	(10.38)	(12.53)	
Age of Housing Stock	30.75	28.21	-7.49
	(9.76)	(12.20)	
Pct. Owner Occupied Dwellings	64.55	68.16	11.21
	(8.07)	(13.57)	
Pct. Housing Vacant	9.25	7.01	-10.94
	(9.25)	(7.01)	
Pct. Housing Occupied 10+ years	40.53	39.31	-4.05
	(7.74)	(11.34)	
Ln Manufacturing Establishments	2.45	2.33	-4.22
	(0.80)	(1.04)	
Pct. of Urban Population in County	0.69	0.13	-66.49
	(0.34)	(0.22)	
Adjacent to Metro County	0.55	----------	NA[a]
	(4.98)	----------	
Relative Population Size	1.00	1.00	NA
	(0.63)	(0.58)	
Northeast	0.07	0.26	16.44
	(0.26)	(0.44)	
Midwest	0.35	0.34	-0.72
	(0.48)	(0.47)	
South	0.44	0.29	-10.23
	(0.50)	(0.45)	
Ln Nonemployers	2.45	2.33	-4.22
	(1.04)	(0.80)	
Pct. Local Manufacturing Establishments	ND[b]	ND	
Pct. Old Manufacturing Establishments	72.91	79.07	8.9
	(20.01)	(24.92)	
Pct. Small Mfg. Establishments	34.52	30.83	-5.62
	(20.55)	(22.61)	
Pct. Local/Old/Small Manufacturing	ND	ND	
High Pct. Civic Denominations	13.39	13.82	0.92
	(15.01)	(15.88)	
High Pct. Family Farms	0.44	0.40	-3.05
	(0.50)	(0.50)	
Ln Third Place Establishments	ND	ND	
Ln Associations	ND	ND	

[a] NA: T-ratio not applicable
[b] ND: Data item not disclosable due to small sample size

Table 2. Modeling Civic Community: OLS Regression Results

	Ln Median Income		Poverty	
	Nonmetro	Metro	Nonmetro	Metro
Intercept	8.7796*	8.4981*	82.3971*	54.7084*
	(0.0561)	(0.0444)	(2.3060)	(1.1152)
Pct. High School	0.0144*	0.0180*	-0.4288*	-0.4091*
	(0.0004)	(0.0004)	(0.0183)	(0.0107)
Age of Housing	-0.0016*	-0.0007	-0.0334	0.0184
	(0.0005)	(0.0006)	(0.0217)	(0.0143)
Pct. Owner Occupied	0.0057*	0.0074*	-0.4789*	-0.1521*
	(0.0005)	(0.0005)	(0.0225)	(0.0115)
Pct. Housing Vacant	-0.0022*	-0.0035*	0.0910*	0.1062*
	(0.0006)	(0.0006)	(0.0244)	(0.0154)
Pct. Occupied 10+ years	-0.0018*	0.0003	0.1889*	0.0391*
	(0.0007)	(0.0006)	(0.0287)	(0.0154)
Ln Manufacturing Estab.s	0.0156*	0.0035	-1.4374*	-0.9801*
	(0.0062)	(0.0061)	(0.2562)	(0.1527)
Pct. of Urban Population	-0.0501*	-0.1411*	2.2369*	2.1670*
	(0.0105)	(0.0202)	(0.4327)	(0.5068)
Adjacent to Metro County	0.0309*	-----	-0.9210*	-----
	(0.0066)		(0.2709)	
Relative Population Size	-0.0175*	-0.0001*	3.4128*	-0.9848*
	(0.0081)	(0.0002)	(0.3328)	0.2479
Northeast	0.1028*	0.0797*	-2.3746*	-3.1006*
	(0.0174)	(0.0182)	(0.7141)	(0.4571)
Midwest	0.0287*	-0.0283	-0.4415	-1.813*
	(0.0174)	(0.0182)	(0.7141)	(0.3817)
South	0.0394*	-0.0243	1.6089*	-0.8874*
	(0.0078)	(0.0150)	(0.3192)	.3754
Ln Nonemployers	0.0133*	0.0433*	-1.5557*	-.0719
	(0.0002)	(0.0003)	(0.0084)	(0.1566)
Pct. Local Mfg. Estab.s	-0.0004*	0.0433*	0.0119	-0.0055
	(0.0002)	(0.0062)	(0.0084)	(0.0064)
Pct. Old Mfg. Estab.s	0.0004*	-0.0006*	-0.0073	-0.0212*
	(0.0002)	(0.0003)	(0.0098)	(0.0072)
Pct. Small Mfg. Estab.s	-0.0004*	0.0004	0.0355*	.0068
	(0.0002)	(0.0003)	(0.0088)	(0.0066)
Pct. Local/Old/Small Mfg.	-0.0040	0.1162*	-1.2097	0.3026
	(0.0329)	(0.0401)	(1.3524)	(1.0059)
High Pct. Civic Denom.s	0.0204*	0.0093	-1.4505*	-0.6167*
	(0.0075)	(0.0091)	(0.3080)	0.2277
High Pct. Family Farms	-0.0004	-.0667*	-0.9198*	0.2707
	(0.0088)	(0.0010)	(0.3636)	(0.2520)
Ln Third Place Estab.s	0.0311*	0.0151*	-1.4942*	-1.0340*
	(0.0088)	(0.0079)	(0.3636)	(0.1980)
Ln Associations	-0.0004	-0.0359*	-0.3023	1.2221*
	(0.0070)	(0.0072)	(0.2895)	(0.1815)
R-Square	0.6080	0.7042	0.6419	0.6343

* $p < 0.05$ (one-tailed test such that $t > 1.66$)

Table 3. Modeling Civic Community: OLS Regression Results

	Nonmigration		Unemployment	
	Nonmetro	Metro	Nonmetro	Metro
Intercept	39.6086*	43.9450*	27.3933*	23.6210*
	(2.4358)	(1.2698)	(1.1657)	(0.5409)
Pct. High School	-0.3264*	-0.3022*	-0.1381*	-0.1746*
	(0.0193)	(0.0122)	(0.0092)	(0.0052)
Age of Housing	0.0429	0.0775*	0.0370*	0.0159*
	(0.0230)	(0.0163)	(0.0110)	(0.0069)
Pct. Owner Occupied	0.3246*	0.0984*	-0.1223*	-0.0273*
	(0.0238)	(0.0131)	(0.0114)	(0.0056)
Pct. Housing Vacant	0.0853*	0.0369*	0.0548*	0.0561*
	(0.0258)	(0.0175)	(0.0123)	(0.0075)
Pct. Occupied 10+ years	0.6283*	0.6726*	0.0623*	0.0098
	(0.0303)	(0.0176)	(0.0145)	(0.0075)
Ln Manufacturing Estab.s	1.0235*	0.1152	-0.5010*	-0.4919*
	(0.2706)	(0.1739)	(0.1295)	(0.0741)
Pct. of Urban Population	1.2416*	4.9497*	-0.1809	-0.2558
	(0.4570)	(0.5770)	(0.2187)	(0.2458)
Adjacent to Metro County	-0.7685*	-----	0.0702	-----
	(0.2861)	-----	(0.1369)	-----
Relative Population Size	1.3936*	1.2859	1.2828*	0.6969*
	(0.3516)	(0.4346)	(0.1682)	(0.1202)
Northeast	0.5184	1.2859*	-1.6892*	-1.5733*
	(0.7543)	(0.5204)	(0.3610)	(0.2217)
Midwest	0.3867	1.2859*	-0.7839*	-0.9096*
	(0.7543)	(0.4346)	(0.3610)	(0.1851)
South	-0.8917	-1.9839*	-1.5024*	-1.8257*
	(0.3372)	(0.4274)	(0.1614)	(0.1821)
Ln Nonemployers	-0.8547*	1.2187*	-0.6578*	-0.2558*
	(0.0089)	(0.1784)	(0.0043)	(0.0760)
Pct. Local Mfg. Estab.s	0.0007	-0.0026	-0.0027	-0.0045
	(0.0089)	(0.0073)	(0.0043)	(0.0031)
Pct. Old Mfg. Estab.s	0.0297*	0.0065	-0.0062	-0.0039
	(0.0103)	(0.0082)	(0.0050)	(0.0035)
Pct. Small Mfg. Estab.s	0.0197*	-0.0082	0.0073	0.0019
	(0.0093)	(0.0075)	(0.0044)	(0.0032)
Pct. Local/Old/Small Mfg.	-1.3434	-1.2441	0.0790	0.1146
	(1.4285)	(1.1453)	(0.6836)	(0.4879)
High Pct. Civic Denom.s	0.6144*	-0.1458	-1.0746*	-0.3090*
	(0.3253)	(0.2593)	(0.1557)	(0.1105)
High Pct. Family Farms	-0.4980	0.6928*	-0.6276*	-0.1348
	(0.3840)	(0.2869)	(0.1838)	(0.1222)
Ln Third Place Estab.s	1.0678*	0.0727	-0.2863	-0.1716*
	(0.3840)	(0.2067)	(0.1838)	(0.0960)
Ln Associations	0.5479*	0.7146*	-0.2406	0.2984*
	(0.3058)	(0.2067)	(0.1464)	(0.0880)
R-Square	0.6449	0.7402	0.3364	0.5045

* $p < 0.05$ (one-tailed test such that $t > 1.66$)